

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L SOFIA 1502

DEPT FOR EUR/EE AND EB/TP/EWT

USDOC FOR BEWT AND EXPORT CONTROL

E.O. 11652: GDS

TAGS: BEXP, BU

SUBJECT: SALE OF COMPUTER SYSTEM TO BULGARIAN STATE PLANNING
COMMITTEE

1. SUMMARY: IN RECENT CONVERSATIONS, REPRESENTATIVES
OF IBM AND BURROUGHS SEPARATELY INFORMED EMBASSY THAT
EACH FIRM HAS SIGNED CONTRACT FOR DELIVERY OF COMPUTER
SYSTEM TO STATE PLANNING COMMITTEE (SPC). ALTHOUGH
EACH KNOWS THAT COMPETITION EXISTS, NEITHER COMPANY
APPEARS TO KNOW THE OTHER HAS SIGNED CONTRACT. TIMING
OF EXPORT LICENSE APPROVAL MAY DETERMINE WHICH CONTRACT
IS HONORED. EMBASSY REQUESTS SITUATION REPORT SOONEST.
END SUMMARY

2. IBM REPRESENTATIVE PHILIP SHELLHAAS TOLD EMBOFFS
THAT CONTRACT FOR SPC SYSTEM WAS SIGNED LATE LAST
YEAR, AND, GIVEN EXPORT LICENSE APPROVAL, EQUIPMENT
DELIVERY COULD START IN SEPTEMBER 1976. HOWEVER,
SHELLHAAS BELIEVES THAT LICENSE APPROVAL IS BEING
DELAYED BECAUSE OF CONCERN THAT (1) EQUIPMENT CAPACITY
IS TOO LARGE FOR SPC AND (2) APPROVAL MAY ESTABLISH A
PRECEDENT FOR STILL LARGER SCALE APPLICATIONS IN EE.
BULGARIAN REACTION TO DELAY IS CONCERN THAT IBM WILL
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NOT BE ABLE TO GET APPROVAL AND DELIVER EQUIPMENT.

3. IMMEDIATELY FOLLOWING IBM VISIT, ERNST LUTTINGER OF BURROUGHS CALLED ON EMBASSY TO EXPLAIN STATUS OF BURROUGHS EFFORTS TO PROVIDE COMPUTER SYSTEM FOR SPC. BURROUGHS SIGNED CONTRACT APPROXIMATELY THREE WEEKS AGO, AND HAS APPLIED FOR EXPORT CONTROL LICENSE. IT HAS ALREADY RECEIVED APPROVAL ON IDENTICAL SYSTEM FOR BULGARIAN NATIONAL BANK, ACCORDING LUTTINGER, AND THOUGH CONTRACTS ARE SEPARATE, BANK AND SPC SYSTEMS ARE JOINT CG ARMS OF SERVICE, SPARE PARTS, ETC.

4. COMMENT: BULGARIANS ARE EXPERT AT LEADING COMPETING COMPANIES ON TO OBTAIN TECHNICAL INFORMATION, BUT THIS APPEARS TO BE CASE OF INSURING A BACK-UP SUPPLIER SHOULD IBM BE UNABLE TO GET APPROVAL FOR ITS SYSTEM, OR OF A CHANGE OF MIND ON MOST DESIRABLE SYSTEM. BOTH COMPANIES, HOWEVER, MAINTAIN THAT THEY HAVE A BINDING CONTRACT, CONTINGENT ONLY ON EXPORT LICENSING ALLOWING FULFILLMENT OF DELIVERY SCHEDULES.

5. BECAUSE BULGARIANS HAVE SIGNED TWO CONTRACTS, AND DELIVERY SCHEDULES ARE KEY FACTOR FOR CONTRACT RE-NEGOTIATION OR CANCELLATION, ANY DELAY IN APPROVAL OF ONE APPLICATION MAY GIVE UNINTENTIONAL ADVANTAGE TO OTHER COMPANY AND MAY WELL DETERMINE WHICH CONTRACT IS HONORED. EMBASSY IS IN NO POSITION TO COMMENT ON TECHNICAL CONSIDERATIONS OF EXPORT LICENSING IN THESE TWO CASES, BUT WISHES TO POINT OUT DELICACY AND COMPLEXITY OF SITUATION. TO ASSIST EMBASSY IN PLAYING HELPFUL BUT IMPARTIAL ROLE, REQUEST STATUS REPORT ON IBM AND BURROUGHS EXPORT LICENSE APPLICATIONS SOONEST. IBM CASE NUMBER IS 995856. BURROUGHS CASE NUMBER IS NOT KNOWN TO EMBASSY. HERZ

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TAGS: BEXP, BU
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